Central
CREDIT UNION
Maine

1000 Lisbon Street • PO Box 1746 • Lewiston, Maine 04241-1746 • (207) 783-1475 • Fax: (207) 777-1914

March 9, 2010

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

RE: Proposed Revisions to Rule 704

Dear Ms. Rupp:

I appreciate the opportunity to comment on NCUA's proposed changes to Part 704 regarding corporate credit unions. NCUA issued this Proposed Rule soliciting comments on several issues including capital, permissible investments, management of credit risk and liquidity and corporate governance.

Corporate Capital/Core Capital/PCA

Decades of corporate capital have been depleted and more time is necessary to reach required capital ratios so credit unions that have already had to write off PIC and MCA are not now asked not only to recapitalize their corporate but pay higher fees and earn lower dividends because corporates are forced into arbitrary capital accumulation schedules.

The credit spread widening test and the 2 year weighted average life limitation will severely restrict a corporates ability to meet the retained earnings requirements. This test would be implemented at a time when liquidity in natural person credit unions is high, so they need their corporate credit union for investments. But these tests will prompt corporates to reduce their balance sheets in order to meet capital standards. Hasn't NCUA been asking credit unions to keep liquidity in the system?

Please consider eliminating PCA compliance and regulatory remedies for the NEV type testing.

Asset Liability Management

I believe that the combination of a 300 basis point spread widening test for all investments, a 50% slowdown test in prepayment speeds and a two year weighted average life is overly restrictive. The proposed rule should be amended to test a 100 basis point credit spread widening and a 25% NEV volatility tolerance limit. As is stands, the proposed rule will make it difficult for corporates with even conservative balance sheets to meet the NEV requirements. Maintaining a short and conservative balance sheet should not place a corporate in a PCA position. The ability to rebuild retained earnings will be hampered if corporates cannot be allowed to find a way to pay a reasonable return to its members.

Single Obligor Concentration Limit

The propose rule that limits the single obligor concentration limit to the greater of 25% of capital or $5 million is too restrictive. This will require corporates to find additional obligors for settlement or investment because the proposed limits are so small. There is a possibility that a single obligor could not adequately cover settlement balances.

Indemnification Payments

If I could not provide appropriate indemnification coverage for volunteers and management, it would significantly hamper my ability to recruit and retain qualified individuals. Do not leave the determination as whether or not duties have been performed in "good faith" a potentially subjective matter.

Corporate Governance

While I agree that an appropriate level of expertise and experience is necessary for board members, I see at my own credit union that a new board member takes up to two years to obtain the necessary training and become confident in their understanding of the credit union. This must also be true for corporate credit unions, which are more complex organizations.

If term limits are imposed on corporate credit unions then they should also be imposed on natural person credit unions. Don't both corporate and natural person credit unions elect their board members form their membership? Why impose term limits on one and not the other?

If term limits must be imposed, please consider extending the length of time board members are permitted to serve. Corporate credit unions will need their seasoned directors for the next several years as we work to reestablish the corporate system.

Prohibition on Replenishing Capital

The issue of legacy assets needs to be addressed in a manner that permits credit unions to recapture depleted capital by tracking the performance of legacy assets separately from other assets. If future losses are less than originally projected, then corporate should be able to return capital to existing capital holders. NCUA should not require permanent depletion of capital based on estimated OTTI model predictions.

Payment systems

The corporate credit unions, along with US Central have created a payment system that is enviable and works well to serve credit unions. This payment system belongs to all credit unions and not to US Central and should be preserved for use by all credit unions either through a wholesale corporate or a CUSO. A disruption in the payments systems will add even more costs onto natural person credit unions at a time when we can least afford it.

Please think about small credit unions and the importance our corporate plays in our ability to provide products and services to our members. Large credit unions have the resources to create their own corporate and CUSO's. Small credit unions depend upon their corporate for settlement, liquidity payments, ACH and lines of credit. If you decimate the corporate system, you will continue to place small credit unions in the position of being unable to fend off the pressure to merge.

Not every corporate credit union wants to rule the corporate system or be the biggest corporate. Many just want to serve their members and the only reason they had any funds at risk was because they invested with US Central. If you reduce the number of corporate credit unions you will recreate the same environment that contributed to the existing crisis. Please remember this when creating the final rule.

Thank you for the opportunity to comment on the Proposed Rule. I look forward to maintaining choice in the use of a stronger corporate system.

Sincerely,

Vicki L. Stuart

Vicki L. Stuart
President/CEO